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Current Support Brief

INEFFECTUAL BLOC AID HAMPERS DEVELOPMENT
OF THE CUBAN TELEPHONE SYSTEM



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INEFFECTUAL BLOC AID HAMPERS DEVELOPMENT
OF THE CUBAN TELEPHONE SYSTEM

The program to expand and improve the Cuban telephone system with Hungarian technical and material assistance is lagging seriously. This delay stems from both the inability and the unwillingness of Hungary to meet its contractual obligations. In the light of the ineffectiveness of Hungarian aid, the ability of the Cuban telephone system to meet service requirements has deteriorated substantially, and it is unlikely that this situation will be arrested in the near future.

1. Plans for Development

When the Castro regime assumed power in January 1959 the Cuban telephone system was one of the most advanced in Latin America. Service was available throughout the island, and more than 170,000 telephones, most of which were automatic, were in use. In August 1960 the Cuban Telephone Company, a subsidiary of the International Telephone and Telegraph Company, was nationalized and subordinated to the Ministry of Communications. Almost immediately the Ministry embarked on an expansion program tied to material and technical aid from Bloc countries. 1/

In September 1960 a widely hailed contract was signed with the leading telecommunications manufacturer in Hungary -- the Beloiannisz Telecommunications Company (Budavox). Budavox agreed to supply, during 1961-65, US \$10 million worth of telephone equipment, including 125,000 telephone sets, automatic exchanges with a total capacity of 60,000 lines, and an unspecified amount of 3-channel and 12-channel carrier equipment. The scope of this program compared favorably with development programs that had been formulated before Castro came to power. 2/

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2. Execution of Plans

By May 1963 the value of equipment received from Budavox amounted to at least US \$2.4 million, an amount equal to about one-half the value of the telephone plant before its nationalization but only about one-fourth of the value contracted for during the 5-year period. Nevertheless, there has not been a corresponding increase in operational telephone facilities, and the program, marked with shortcomings and delays, has fallen far behind schedule. Although this failure to meet plan schedules can be ascribed partly to such local factors as faulty administration and lack of skilled personnel, fundamentally it reflects both the inability and the unwillingness of Budavox to meet its contractual obligations. Budavox has shown an almost complete disregard for delivery schedules and much of the equipment shipped has been either of inferior quality or not in accord with specifications. For example, delivery of five urgently needed private branch telephone exchanges is more than 2 years behind schedule, five out of every eight telephone sets delivered are unusable, and telephone exchange equipment has not been adapted for use in the Cuban climate. Furthermore, equipment has yet to be developed by Budavox that will overcome the problem of incompatibility between existing step-by-step exchange equipment and the rotary exchange equipment which has been supplied. Besides these shortcomings, problems such as the failure of Budavox to forward installation instructions in advance of equipment deliveries and to adequately train Cuban technicians in the installation of equipment have contributed to the disarray in the program. 3/

3. Cuban Reaction

In the wake of this inept performance, the Cubans have shown a growing disenchantment with Hungarian technical and material assistance in this field. Relations between the Ministry of Communications and Budavox have deteriorated to a point that some of the officials of the Ministry have advocated terminating the Budavox contract. It is unlikely, however, that the contract will be canceled, largely because of the investment already made in Budavox equipment. Cuban officials have noted that

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changing suppliers probably would result in even greater delays in the development program and suggested instead that a vigorous effort be made to have the Hungarians carry out their contractual obligations. 4/

4. Prospects

Prospects are dim for the sustained growth of the Cuban telephone system. There is no apparent short-term solution to the problems resulting from the ineffectiveness of Hungarian aid coupled with defections of skilled Cuban personnel and shortages of spare parts for existing equipment. Moreover, these impediments have affected adversely the current operations of the system in that they have overburdened existing facilities and caused a sharp decline in the quantitative and qualitative levels of service. Although steps have been taken to arrest this deterioration, such as the introduction of priority lists to govern the installation of new telephones and the "cannibalization" of marginal, inoperative equipment for spare parts, they have not met with enduring success. Gains derived from such measures, which are basically stop-gap solutions to long-term problems, are relatively short-lived. 5/

It is doubtful whether these chronic problems will be overcome in the foreseeable future unless there is a more vigorous effort by the Hungarians than evidenced heretofore. Even if such an effort is forthcoming, there is some question as to the ability of the Cubans to assimilate the vast quantity of diverse equipment in an efficient manner.

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